

Message Text

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TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 191862

EXDIS

E.O. 11652: GDS

TAGS: EFIN, ETRD, JA

SUBJECT: LETTER TO PRESIDENT FROM CONGRESSMAN VANIK
ET-AL

1. THIS TELEGRAM TRANSMITS FYI ONLY TEXT OF LETTER SENT BY CONGRESSMEN VANIK, JONES, STEIGER, FRANZEL, AND ROSTENKOWSKI TO THE PRESIDENT URGING THAT HE CONSIDER ACTION UNDER SECTION 122 OF TRADE ACT OF 1974 TO PROCLAIM TEMPORARY IMPORT SURCHARGE OF UP TO 15 PERCENT AND/OR TEMPORARY IMPORT QUOTAS FOR A PERIOD NOT EXCEEDING 150 DAYS.
2. THE TEXT OF THIS LETTER HAS BEEN EMBARGOED FOR RELEASE UNTIL COB MONDAY AUGUST 1 BY THE HOUSE WAYS AND MEANS CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 191862

COMMITTEE. EMBASSY SHOULD NOT RELEASE OR COMMENT ON IT. YOU SHOULD BE AWARE, HOWEVER, THAT IT HAS BEEN OBTAINED BY JAPANESE BUSINESS REPRESENTATIVES IN WASHINGTON AND PROBABLY BY GOJ.

3. BEGIN TEXT.

HONORABLE JIMMY CARTER
THE PRESIDENT
THE WHITE HOUSE

WASHINGTON, D.C.

DEAR MR. PRESIDENT:

WE HAVE WATCHED WITH INCREASING CONCERN THE CONTINUING WEAKNESS OF THE UNITED STATES DOLLAR IN RELATION TO OTHER MAJOR CURRENCIES AND OUR SUBSTANTIAL BALANCE-OF-PAYMENTS AND BALANCE-OF-TRADE DEFICITS OVERALL AND PARTICULARLY THE NO LONGER ACCEPTABLE TRADE DEFICIT WITH JAPAN. THESE SERIOUS AND CONTINUING IMBALANCES ARE REACHING THE DANGER POINT, THREATENING INTERNATIONAL MONETARY STABILITY AND OUR OWN COMPETITIVE PAYMENTS AND TRADE POSITION IN THE WORLD ECONOMY.

THE UNITED STATES DEFICIT ON CURRENT ACCOUNT WAS OVER \$15 BILLION LAST YEAR AND IS ALREADY OVER \$6 BILLION IN THE FIRST QUARTER OF 1978, THE WORST BALANCE-OF-PAYMENTS DEFICIT IN OUR HISTORY. THE UNITED STATES EXPERIENCED A RECORD TRADE DEFICIT LAST YEAR OF OVER \$26 BILLION, A DEFICIT ALREADY IN THE FIRST QUARTER OF 1978 OF NEARLY \$10 BILLION. THE DOLLAR IS DECLINING DAILY IN TERMS OF THE JAPANESE YEN.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 191862

THE RAPID APPRECIATION OF THE YEN SHOULD HAVE MADE JAPANESE GOODS FAR LESS COMPETITIVE IN THE UNITED STATES MARKET AND UNITED STATES EXPORTS CHEAPER AND MORE ATTRACTIVE IN JAPAN WITH THE DECLINE OF THE DOLLAR. INSTEAD, UNITED STATES EXPORTS TO JAPAN HAVE DECLINED IN THE FIRST FOUR MONTHS OF THIS YEAR WHILE IMPORTS FROM JAPAN HAVE INCREASED 48 PERCENT. THE TRADE DEFICIT WITH JAPAN IS INCREASING SO FAR THIS YEAR TO \$12 BILLION FROM \$8 BILLION IN 1977.

THE MEMBERS OF THE SUBCOMMITTEE ON TRADE HAVE REPEATEDLY POINTED OUT TO MINISTER USHIBA AND OTHER JAPANESE OFFICIALS DURING THEIR VISITS TO WASHINGTON IN RECENT MONTHS THAT JAPAN SHOULD UNDERTAKE MEASURES IN THE MULTI-LATERAL TRADE NEGOTIATIONS TO IMPROVE ACCESS TO THE JAPANESE MARKET SUBSTANTIALLY AND FULFILL ITS COMMITMENTS IN THE JANUARY STRAUSS-USHIBA COMMUNIQUE TO REDUCE THE CURRENT ACCOUNT IMBALANCE WITH THE UNITED STATES SOON IF A LIBERAL NEGOTIATIONS WITH JAPAN ARE TO BE SUSTAINED IN THE CONGRESS. THESE WARNINGS THAT TIME AND PATIENCE ARE RUNNING OUT DO NOT APPEAR TO BE TAKEN SERIOUSLY.

WE HAVE CONSIDERED THE OPTIONS AVAILABLE UNDER THE CIRCUMSTANCES AND, SHORT OF DIRECT ACTION SUCH AS THAT

ENVISAGED IN SECTION 122 OF THE TRADE ACT OF 1974, THE CHANCES FOR IMMEDIATE ACTION ARE LIMITED. AS YOU KNOW, SECTION 122 REQUIRES THE PRESIDENT TO PROCLAIM A TEMPORARY IMPORT SURCHARGE OF UP TO 15 PERCENT AND/OR TEMPORARY IMPORT QUOTAS FOR A PERIOD NOT EXCEEDING 150 DAYS WHENEVER SPECIAL MEASURES TO RESTRICT IMPORTS ARE REQUIRED TO DEAL WITH A LARGE AND SERIOUS UNITED STATES BALANCE-OF-PAYMENTS DEFICIT, TO PREVENT AN IMMINENT AND SIGNIFICANT DEPRECIATION OF THE DOLLAR IN FOREIGN EXCHANGE MARKETS, OR TO COOPERATE WITH OTHER COUNTRIES IN CORRECTING

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 191862

AN INTERNATIONAL BALANCE-OF-PAYMENTS DISEQUILIBRIUM. IMPORT RESTRICTIONS ARE TO BE APPLIED ON A NON-DISCRIMINATORY BASIS TO ALL COUNTRIES UNLESS THE PRESIDENT DETERMINES THE PURPOSE WOULD BEST BE SERVED BY ACTION AGAINST ONLY ONE OR MORE COUNTRIES HAVING LARGE OR PERSISTENT BALANCE-OF-PAYMENTS SURPLUSES.

THE BASIC PROBLEM OF ECONOMIC IMBALANCES HAS BEEN DISCUSSED AND POSSIBLE SOLUTIONS CONSIDERED, IN BILATERAL TALKS, IN DISCUSSIONS IN THE CONTEXT OF THE MTN, AND AT THE SUMMIT IN BONN. THERE APPEAR TO BE FEW ALTERNATIVES TO DEAL WITH THE IMMEDIATE THREAT OF THE CONTINUED IMBALANCE IN OUR INTERNATIONAL ACCOUNTS. THEREFORE, WE URGE YOU TO GIVE FULL CONSIDERATION TO ACTION UNDER SECTION 122.

SINCERELY,

JAMES R. JONES CHARLES A. VANIK
CHAIRMAN

WILLIAM A STEIGER BILL FRENZEL

DAN ROSTENKOWSKI

4. FYI ALSO, BELOW IS AMBASSADOR STRAUSS' REPLY TO REPRESENTATIVE VANIK'S QUESTION ON THIS SUBJECT AT HIS RECENT TESTIMONY UPON RETURNING FROM GENEVA AND BONN.

5. BEGIN TEXT.

MR. VANIK. SO FAR THE JAPANESE HAVE BEEN DRAGGING THEIR FEET ON MAKING SUBSTANTIAL CONCESSIONS IN THE MTN THAT

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 191862

WOULD PROVIDE MEANINGFULL ACCESS TO THE JAPANESE MARKET TO U.S. MANUFACTURE AND AGRICULTURAL GOODS AS COMMITTED IN THE JANUARY COMMUNIQUE.

IS THERE A REAL BASIS NOW TO BELIEVE, MR. AMBASSADOR, THAT JAPAN WILL MAKE CONCESSIONS IN THE MTN?

AMBASSADOR STRAUSS. YES, THERE IS.

MR. VANIK. THAT COMMUNIQUE PROMISES IT WILL PERMIT SUBSTANTIAL INCREASES IN U.S. EXPORTS AS TO THE JAPANESE MARKET.

MY QUESTION IS, IF I CAN GET IT IN CONTEXT: IS OUR GOVERNMENT CONSIDERING UNILATERAL MEASURES SUCH AS THE CONDITIONAL APPLICATION OF THE MTN BENEFITS TO JAPAN AND/OR THE IMPOSITION OF IMPORT SURCHARGE AS AUTHORIZED BY SECTION 122 OF THE TRADE ACT?

AMBASSADOR STRAUSS. WE ARE NOT CONSIDERING AN IMPOSITION OF A SURCHARGE AS AUTHORIZED, MR. CHAIRMAN.

WE ARE, I WOULD HOPE, GOING TO PRODUCE OUT OF THE COMMERCE DEPARTMENT A VERY SUBSTANTIAL PROGRAM, A MEANINGFUL PROGRAM, THAT WILL HELP US IN OUR EXPORT, IN OUR EXPORT PROGRAM.

WITH RESPECT TO WHAT THE JAPANESE ARE DOING, I, AS YOU KNOW, IF I WANTED, HAD I BEEN WILLING TO ACCEPT AND HAD PRESIDENT CARTER BEEN WILLING TO ACCEPT ON BEHALF OF THIS GOVERNMENT LESS THAN WE THOUGHT WAS APPROPRIATE ACTION, WE COULD HAVE SIGNED OFF WITH HALF A STEP INSTEAD OF A FULL STEP.

WE ARE CONTINUING TO NEGOTIATE HARD, AND AS LATE AS DURING THE VERY SUMMIT CONFERENCE, ITSELF, MY COLLEAGUE, CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 191862

AMBASSADOR WOLFF, WHOM I FAILED TO INTRODUCE EARLIER -- AND I AM SORRY, I WILL INTRODUCE HIM TO YOU NOW HERE -- AND MY OTHER ASSOCIATE, AMBASSADOR MCDONALD, AND I WERE ENGAGED IN DIRECT TARIFF NEGOTIATIONS WITH THE LEADERSHIP OF THE JAPANESE DELEGATION.

AS A MATTER OF FACT, PRESIDENT CARTER AND I MET IN THAT

SAME POSTURE WITH PRIME MINISTER FUKUDA. WE ARE PRESSING VERY HARD FOR WHAT WE THINK ARE PROPER CONCESSIONS AND WE ARE MAKING SOME RATHER SUBSTANTIAL PROGRESS IN THE TARIFF AREA AS WELL AS IN THE NONTARIFF AREA.

IS IT GOING TO BE ENOUGH? I DON'T KNOW. ARE WE SATISFIED? NO. IS THERE A LONG WAY TO GO? WELL, COMPARED TO WHERE WE STARTED THERE IS NOT QUITE THAT LONG A WAY TO GO. BUT THERE IS STILL MUCH LEFT TO BE DONE.

I THINK WE ARE ENGAGED IN A SUCCESSFUL NEGOTIATION, FIRM AND TOUGH, AS I SAID. I THINK IT REQUIRES IT. IF THEY WANT SOMEONE TO NEGOTIATE OTHER THAN THAT WAY THEY HAVE THE WRONG MAN IN THERE. THERE IS NO POINT IN BEING A BULLY, MR. CHAIRMAN, AS YOU WELL KNOW. IT'S EASY TO TELL SOMEBODY TO GO TO HELL. IT'S DAMN HARD TO GET THEM THERE.

WHAT WE ARE TRYING TO DO IS TO BE REASONABLE WITH RESPECT TO DEMANDING WHAT WE THINK WE ARE ENTITLED TO AND THEY CAN DELIVER.

MR. VANIK. THANK YOU VERY MUCH. VANCE

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